

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name County of Benzie, Michigan	County Benzie
Audit Date 9/30/05	Opinion Date 1/20/06	Date Accountant Report Submitted to State: 3/30/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 16978 S. Riley Avenue	City Kincheloe	State MI	ZIP 49788
Accountant Signature 		Date 3/30/06	

COUNTY OF BENZIE, MICHIGAN

BASIC FINANCIAL STATEMENTS

September 30, 2005

BENZIE COUNTY, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

CHAIR PERSON	Don Howard
COMMISSIONER	Steve Haugen
COMMISSIONER	Michael Jones
COMMISSIONER	Tom Kelley
COMMISSIONER	Mary Pitcher
COMMISSIONER	Mark Roper
COMMISSIONER	Frank Walterhouse

APPOINTED/ELECTED OFFICIALS

COUNTY CONTROLLER	Charles Clarke
COUNTY TREASURER	Linda Wilson
COUNTY CLERK	Dawn Olney

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
Of the Board of Commissioners
County of Benzie, Michigan
P.O. Box 377
Beulah, Michigan 49617

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan as of and for the year ended September 30, 2005, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County of Benzie's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan as of the year ended September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2006, on our consideration of the County of Benzie's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparisons as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Benzie's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of the County of Benzie. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

January 20, 2006

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

The County as a Whole

The County continued its operations of its fiscal year starting on October 1st and ending on September 30th of the following year. The Fiscal Year for 2005 was the second consecutive full year we have had under this operational year concept and because of that, comparisons of data with the previous year are now more meaningful as 12 months are being compared to the previous 12 months and not to a period when we had a nine month fiscal year. There is not a need anymore to prorate numbers to compare trends to the previous year, but there is however, a need to keep the nine month year of 2003 in mind when comparing the current year with several previous years and to prorate pertinent information for 2003. The County continued its program of taking a quarter of the growth in property taxes and special millages and shifting that into designated fund balances for fourth quarter calendar year operations for the ensuing year. This is the case for the funds that are provided revenue from property taxes to include the General, Jail, Animal Control, and Advanced Life Support Funds. It is a deferral of sorts in that it makes the projected budget expenses from property taxes consistent with a calendar year and adds growth to the cash set aside to operate the first quarter of the next fiscal year or last quarter of the current calendar year.

A significant change in the concept of funding one of the County's services occurred when a millage was passed to support the new service of Advanced Life Support. This went into effect January 1, 2005 and a separate fund was established to provide for its operation. The service was previously provided by a private entity and supplemented by a non profit and the latter ceased its funding for the program. It was put to a referendum with the designation that the County would fund and determine the operation of the service. A department and its organization were subsequently created from the ground up.

In a condensed format, the table below shows the net assets of Benzie County.

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current Assets	\$ 3,937,272	\$ 3,238,297	\$ 6,022,512	\$ 6,398,178	\$ 9,959,784	\$ 9,636,475
Noncurrent Assets	10,747,124	10,523,015	2,268,242	1,974,625	13,015,366	12,497,640
Total Assets	14,684,396	13,761,312	8,290,754	8,372,803	22,975,150	22,134,115
Long-Term Debt Outstanding	2,287,210	2,442,230	150,251	1,000,000	2,437,461	3,442,230
Other Liabilities	941,448	652,293	1,110,478	643,292	2,051,926	1,295,585
Total Liabilities	3,228,658	3,094,523	1,260,729	1,643,292	4,489,387	4,737,815
Net Assets						
Invested in Capital Assets -						
Net of Debt	7,993,296	7,920,305	2,268,242	2,756,778	10,261,538	10,677,083
Unrestricted (Deficit)	3,462,442	2,746,484	4,761,783	3,972,733	8,224,225	6,719,217
Total Net Assets	\$ 11,455,738	\$ 10,666,789	\$ 7,030,025	\$ 6,729,511	\$ 18,485,763	\$ 17,396,300

The current level of unrestricted net assets for our governmental activities stands at \$3,642,442, or about 36% of expenditures. This is within the targeted range set by the County Board of Commissioners during its last budget process.

Net Assets of the governmental activities increased approximately 7%. Net Assets of the business-type activities increased approximately 4%.

The following table shows the activities of the County.

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Program Revenues						
Charges for Services	\$ 2,941,451	\$ 2,047,362	\$ 4,748,642	\$ 4,527,852	\$ 7,690,093	\$ 6,575,214
Operating Grants and Contributions	1,405,099	934,709	-	-	1,405,099	934,709
Capital Grants and Contributions	1,129	-	-	-	1,129	-
General Revenues						
Property Taxes	6,332,166	4,999,538	767,534	725,289	7,099,700	5,724,827
State-Shared Revenues	-	219,698	-	-	-	219,698
Federal, State, Local – General	-	885,694	-	-	-	885,694
Unrestricted Investment Earnings	204,172	89,803	60,895	37,636	265,067	127,439
Other Revenue	<u>21,052</u>	<u>150,000</u>	<u>-</u>	<u>293,498</u>	<u>21,052</u>	<u>443,498</u>
Total Revenues	<u>10,905,069</u>	<u>9,326,804</u>	<u>5,577,071</u>	<u>5,584,275</u>	<u>16,482,140</u>	<u>14,911,079</u>
Program Expenses						
Legislative	83,828	193,656	-	-	83,828	193,656
Judicial	611,437	605,459	-	-	611,437	605,459
General Government	1,426,205	1,437,600	-	-	1,426,205	1,437,600
Public Safety	3,288,557	3,485,016	-	-	3,288,557	3,485,016
Public Works	466,241	141,694	-	-	466,241	141,694
Health and Welfare	2,076,582	1,566,043	-	-	2,076,582	1,566,043
Recreation and Culture	572,295	249,833	-	-	572,295	249,833
Interest Expense – Unallocated	150,616	46,363	-	-	150,616	46,363
Other Expenses	1,440,359	1,147,353	-	-	1,440,359	1,147,353
Loss on Disposal of Fixed Assets	-	224,575	-	-	-	224,575
Tax Collection	-	-	42,637	56,147	42,637	56,147
Economic Development	-	-	10,099	70,860	10,099	70,860
Medical Care Facility	<u>-</u>	<u>-</u>	<u>5,223,821</u>	<u>5,205,038</u>	<u>5,223,821</u>	<u>5,205,038</u>
Total Expenses	<u>10,116,120</u>	<u>9,097,592</u>	<u>5,276,557</u>	<u>5,332,045</u>	<u>15,392,677</u>	<u>14,429,637</u>
Change in Net Assets	788,949	229,212	300,514	252,230	1,089,463	481,442
Beginning Net Assets	<u>10,666,789</u>	<u>10,437,577</u>	<u>6,729,511</u>	<u>6,477,281</u>	<u>17,396,300</u>	<u>16,914,858</u>
Ending Net Assets	<u>\$ 11,455,738</u>	<u>\$ 10,666,789</u>	<u>\$ 7,030,025</u>	<u>\$ 6,729,511</u>	<u>\$ 18,485,763</u>	<u>\$ 17,396,300</u>

Governmental Activities

Revenue from property taxes increased 23% from the previous year, gaining \$1,308,475, which was \$881,055 higher than the previous year's gain. This seems inordinate but there is a reason for it. The State revamped its Revenue Sharing program effective with the County's collection of the December 2004 property taxes. It called for a third of that amount to be placed in an escrow account for the purposes of beginning to fund the substitution of revenue sharing for a number of years. A designated amount would be drawn out each year as the County's portion of revenue sharing for that year. It also changed the time of year property taxes were to be collected to July which would be accomplished in a phased in period of three years. The first of this began in July 2005 with the billing of a third of the 2005 general property taxes effectively five months early. The outcome after three years will be an escrow account which has grown to a year's worth of general property tax (minus the first three revenue sharing draws) and the total billing of property taxes for the for the current year being deferred from December to the following July. For Benzie County which starts its fiscal year in October, property taxes for the current fiscal year will not begin to be collected until ten months into its year. The escrow account, however, is supposed to be used to borrow against to provide cash for the General Fund until current year money is collected. Of that \$881,055 mentioned above, approximately \$160,193 represented a gain in property taxes from an increase in the County's collective property's taxable value. This is a 5.6 percent increase which is higher than the previous year's growth of 4.8 percent and also consistent with a trend we have seen for the past three years. The balance of the \$881,055 increase came from the early collection of the 2005 property tax.

The build up of cash in the County's General Fund Balance over the past few years allowed the County the wherewithal to address some mandatory issues in other funds during 2005. The strength of the year through under forecasted revenue from fines out of the District Court and fees from the Register of Deeds, among others, and expenses within expectations, in the end provided for the reimbursement of those used funds back to the Fund Balance.

When it was discovered in 2004 that the millage for Jail Debt and Operations, passed in 1989, had not been rolled back, a recalculation of this millage had to be accomplished. This new percentage factor meant about a \$400,000 reduction in funds necessary to operate the Jail. Of this, \$100,000 was taken from the Fund Balance of the General Fund. Another \$68,408 came from the General Fund through the elimination of a deputy position and from its Contingency. Other funds to make up the Jail shortfall for 2005 came from the Jail Debt Reserve Fund (321) in the amount of \$134,880, Jail Millage Interest (Fund 371) for \$68,492 and the Fund Balance of Jail Operations (Fund 213) for \$25,000.

A requirement for Phase II of 9-1-1 Enhanced Access is to have the Dispatch program capable of identifying the location of wireless calls. In order to accomplish this parcel mapping through a Geographical Information System (GIS) digital program had to be created. This was conducted by contract and in conjunction with the Equalization Department. A transfer of \$99,816 from the General Fund's fund balance was made and the work was completed by the target date of June 30, 2005. To implement the mapping program in Dispatch, the 9-1-1 hardware and software had to be upgraded. This necessitated a transfer of \$47,178 from the General Fund's fund balance to Fund 261 (9-1-1 Dispatch) which was combined with \$25,000 of money set aside from that fund. Everything was installed and operational in August of 2005.

Upgraded accounting software became in effect at the beginning of 2005. With that improvement the County changed its chart of accounts usage to conform to GASB-34 and the State. Several Funds, Departments, and account lines were re-identified. This was the opportune time to make this adjustment and will facilitate future collection of account data.

The rate of increase in health insurance costs dropped from the previous year, but remained in double digits with an 18 percent growth. The rate of increase for liability insurance costs continued to decline as the recent trend indicated and it was only 3.66 percent. All of the major funds contribute to both liability insurance and health insurance costs with the employee costs for the latter being provided by the fund that supports them. An additional \$20,000 was paid toward the liability retention fund out of the General Fund's Contingency at the end of the year. This was for a continuing effort to address the shortfall in the retention fund remaining from old as well as current litigation.

The wage rate increase ranged from two and one-half to three percent for all categories of employees which became effective on January 1, 2005.

Business-Type Activities

The Maples is a sixty-two bed Medicare/Medicaid certified Skilled Nursing Facility. In fiscal year 2005 there were 42 admissions and 42 discharges. Occupancy average for the total year was at 96.91%.

The Maples began a major construction project in 2003, which was completed in 2005. The project included new construction of approximately a 6,000 square foot, two story addition. The upper level contains a new Rehab/Therapy Department, two private meeting/classrooms, and office, and a storage room.

The second and third stage of construction was to remodel portions of the existing building to create four additional private resident rooms. A complete dining room renovation was completed, including an adjoining serving kitchen, which allows for greater resident choices at mealtime.

The total project costs were \$1,306,208 in construction and \$39,000 in equipment. Construction was paid for from a self-funded Depreciation account which was established in 1993. \$27,500 in grant funding was used toward the new equipment purchases.

The County's Funds

Our analysis of the County's major funds begins on page 11 following the entity wide financial statements. The individual fund financial statements provide detail information about the most significant funds, not the County as a whole. The County Board of Commissioners creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2005 include the General Fund, Jail Operations Fund, Jail Millage Fund, Revenue Sharing Reserve Fund, BVTMC Fund, Medical Care Facility Fund, Economic Development Fund, and Delinquent Tax Fund. Funds supported by special millages consist of the Medical Care Facility, the Jail, Commission on Aging, Advanced Life Support, and Animal Control.

The General Fund supports most of the County's governmental services. The costliest are the police, court, and law enforcement functions. The Jail Fund is supported by an Operational and Bond millage and is augmented with the renting of inmate space (beds) to other governmental entities. The Animal Control Fund is supported by its millage, license fees, and fee based services. The Advanced Life Support Fund is supported by its millage and fees for services. The Economic Development Fund is supported by loan repayments. The Delinquent Tax fund is supported by interest and fees from the collection of taxes. The Medical Care Facility is largely supported by its millage, fees charged to clients, and related insurance reimbursements. Funds from the Commission on Aging millage are provided to the Council on Aging, a non-profit organization, in a contractual relationship.

General Fund Budgetary Highlights

Revenue in the Register of Deeds from Record Copying and Real Estate Transfer Tax was only slightly improved over the previous year as real estate transfers and the refinancing trend seemed to level off but we budgeted \$62,000 less than revenue received thinking the trend would revert to historical averages from previous years. Revenue from fines and fees in the District Court were reversed from a downward trend and gained back a decline of \$25,000 that it had dropped the previous year. When everything is taken into consideration with Revenue Sharing and the receipt of property taxes, the year ended with a surplus of revenue over expenses of approximately \$230,000 which gained back the majority of what was spent during the year on the aforementioned capital projects. This again does not take into account the designated cash reserved for the fourth quarter. This year end position can be attributed to revenue increases that were conservatively projected and expenses that came well within the budget. Elected Officials and Department Heads, with limited exceptions, continue to exhibit diligence across the board of keeping within budget parameters or identifying problems before they occur.

Over the course of the year the County Board amended the General Fund budget to reflect adjustments in revenues that developed in the year. The major revenue increases were in Register of Deeds fees and District Court costs as has previously been mentioned. Major changes in expenses included increases when accounting for the GIS expense, adjustments in election costs due to the conduct of two elections, the use of surplus to payoff four leased patrol vehicles, the addition to liability insurance retention fund costs, and the reduction in the transfer to the Child Care Fund.

Other Funds

The Building Department and Animal Control Funds both ended the year with a fund balance of ten percent or greater while the Ambulance, Jail, Solid Waste/Recycling and 9-1-1 Funds saw declines in their fund balances and were under 10 percent for various reasons. This creates a strain on the stability, future flexibility, and need to set aside funds for equipment replacement in these funds. Further fee adjustments and program changes may be in order for some of them.

The approved ALS/Ambulance millage allowed the County to purchase five new ambulances, three for their own Basic Life Support services, and one each for Almira Township and the Village of Thompsonville which were titled to them upon receipt.

Restoration of three of the four historic buildings on the Point Betsie Light Station was started in 2005. The project is funded by multiple grants the main one being the Clean Michigan Initiative Grant for Waterfront Redevelopment for Lighthouses. The lighthouse has its own fund established where capital improvements, funded through grants, and operations, funded through a partnering non-profit organization, occur.

The Betsie Valley Trail also had a \$330,000 capital project nearly completed. It was for gravel resurfacing for an approximate 17 mile stretch from Beulah to Thompsonville and finishes the majority of the conversion of the old railroad bed to recreational trail.

Capital Asset and Debt Administration

During the 2005 period, the County invested or acquired \$591,169 in capital assets that meet the dollar threshold of the reporting requirement. These purchases included three ambulances through the ALS/Ambulance millage, an upgrade in 9-1-1 hardware and operating system, other normal equipment type acquisitions including three police vehicles, one network computer server, two ALS Echo Units (equipped SUV's), and three Defibulator Monitors for ALS. Four vehicle leases, one in the Jail and three in the Sheriff's Office were paid off a year early.

The County reduced its bond debt load by \$1,640,000 in principal payments, issued new debt in the amount of \$1,610,000 in 2005 ending with a debt balance of \$3,450,000. \$1,250,000 was for payments on delinquent taxes with the balance being put toward bonds for the Jail and Government Center buildings.

Economic Factors and Next Year's Budgets and Rates

This year saw the County using some of its reserves to timely fund mandated capital concerns with the GIS mapping system, 9-1-1 upgrade, and to augment Jail funding. That we have gotten to the point where we are sufficiently stable in the General Fund and can fall back on reserves when the situation dictates has been a County goal that has been realized. Then to be able to replenish that reserve in the same year is a further sign of the internal stability of the fund. Other funds, however, give cause for some concern. The Jail Fund is still reeling from the requirement to rollback its millage. The General Fund will have to support it in ensuing years unless other funding sources materialize. A millage in November 2004 was defeated for this purpose and another one in August 2005 to fund deputy positions in the Sheriff's Office was also defeated. Funds to assist budgeting for the Jail in 2006 were taken out of the General Fund and those deputy positions were eliminated. The 9-1-1 Fund is experiencing declining revenue from land line surcharges and the rate had to be increased for 2006. Wireless revenue seems to be on the rise and we're awaiting stability of its revenue from the State now that Phase II of Enhanced Access is complete. One large township dropped out of the County's recycling program in 2005 which caused that fund's reserves to be drawn upon. This program had to be streamlined for 2006 and will be evaluated for the future. The fledging ALS Fund and Ambulance Fund are in state of transition and will take a couple of years to further stabilize. The Building Department Fund is very strong which will guard against any potential lean future periods. The County as a whole continues to be in excellent financial shape and manages its money well. It, however, faces declining future revenue that supports key services, and will have to take visionary steps in order to maintain consistent funding of these services into the future.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Controller's Office at (231) 882-0035.

Basic Financial Statements

County of Benzie, Michigan

Statement of Net Assets September 30, 2005

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Totals	Units
ASSETS:				
Current Assets:				
Cash & Investments - Unrestricted	\$ 3,059,040	\$ 3,448,439	\$ 6,507,479	\$ 876,548
- Restricted	-	621,796	621,796	-
Receivables:				
Accounts	355,149	364,203	719,352	583,371
Taxes	66,398	746,523	812,921	-
Interest	-	59,789	59,789	-
Notes	150,000	538,228	688,228	-
Internal Loans	(200,000)	200,000	-	-
Prepaid Expenses	55,623	39,825	95,448	43,867
Due from Governmental Units	451,062	3,709	454,771	159,089
Inventories	-	-	-	432,431
Total Current Assets	<u>3,937,272</u>	<u>6,022,512</u>	<u>9,959,784</u>	<u>2,095,306</u>
Noncurrent Assets:				
Capital Assets (Net of Accumulated Depreciation)	<u>10,747,124</u>	<u>2,268,242</u>	<u>13,015,366</u>	<u>5,879,371</u>
TOTAL ASSETS	<u><u>\$ 14,684,396</u></u>	<u><u>\$ 8,290,754</u></u>	<u><u>\$ 22,975,150</u></u>	<u><u>\$ 7,974,677</u></u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	222,681	188,637	411,318	123,120
Accrued Liabilities	57,670	60,351	118,021	53,417
Accrued Interest Payable	12,992	-	12,992	-
Due to Governmental Units	-	-	-	257,342
Deferred Revenue	6,758	111,490	118,248	14,533
Capital Leases	31,618	-	31,618	-
Installment Loans	174,729	-	174,729	128,488
Bonds Payable	435,000	-	435,000	-
Notes Payable	-	750,000	750,000	-
Total Current Liabilities	<u>941,448</u>	<u>1,110,478</u>	<u>2,051,926</u>	<u>576,900</u>
Noncurrent Liabilities:				
Vested Employee Benefits	-	150,251	150,251	137,712
Installment Loans	-	-	-	104,086
Capital Leases	22,210	-	22,210	-
Bonds Payable	<u>2,265,000</u>	<u>-</u>	<u>2,265,000</u>	<u>-</u>
Total Noncurrent Liabilities	<u>2,287,210</u>	<u>150,251</u>	<u>2,437,461</u>	<u>241,798</u>
TOTAL LIABILITIES	<u><u>3,228,658</u></u>	<u><u>1,260,729</u></u>	<u><u>4,489,387</u></u>	<u><u>818,698</u></u>
NET ASSETS:				
Invested in Capital Assets (net of related debt)	7,993,296	2,268,242	10,261,538	5,646,797
Restricted for County Road	-	-	-	1,114,646
Unrestricted	<u>3,462,442</u>	<u>4,761,783</u>	<u>8,224,225</u>	<u>394,536</u>
TOTAL NET ASSETS	<u><u>\$ 11,455,738</u></u>	<u><u>\$ 7,030,025</u></u>	<u><u>\$ 18,485,763</u></u>	<u><u>\$ 7,155,979</u></u>

County of Benzie, Michigan

Statement of Activities Year Ended September 30, 2005

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Charges for Services	Operating Grants	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 83,828	\$ -	\$ -	\$ -	\$ (83,828)	\$ -	\$ (83,828)	\$ -
Judicial	611,437	357,611	98,257	-	(155,569)	-	(155,569)	-
General Government	1,426,205	612,905	234,837	-	(578,463)	-	(578,463)	-
Public Safety	3,288,557	865,898	250,780	1,129	(2,170,750)	-	(2,170,750)	-
Public Works	466,241	481,156	17,303	-	32,218	-	32,218	-
Health & Welfare	2,076,582	508,215	173,275	-	(1,395,092)	-	(1,395,092)	-
Recreation & Culture	572,295	-	630,647	-	58,352	-	58,352	-
Interest expense - Unallocated	150,616	-	-	-	(150,616)	-	(150,616)	-
Other Expenses	1,440,359	115,666	-	-	(1,324,693)	-	(1,324,693)	-
Total Governmental Activities	10,116,120	2,941,451	1,405,099	1,129	(5,768,441)	-	(5,768,441)	-
Business-type Activities:								
Tax Collection	42,637	242,848	-	-	-	200,211	200,211	-
Economic Development	10,099	26,901	-	-	-	16,802	16,802	-
Medical Care Facility	5,223,821	4,478,893	-	-	-	(744,928)	(744,928)	-
Total Business-type Activities	5,276,557	4,748,642	-	-	-	(527,915)	(527,915)	-
Total Primary Government	<u>\$ 15,392,677</u>	<u>\$ 7,690,093</u>	<u>\$ 1,405,099</u>	<u>\$ 1,129</u>	(5,768,441)	(527,915)	(6,296,356)	-
Component Units:								
Road Commission	3,267,331	1,209,353	2,998,815	-				940,837
Benzie/Leelanau Health Dept.	2,154,961	691,073	902,275	-				(561,613)
Total Component Units	5,422,292	1,900,426	3,901,090	-				379,224
Total	<u>\$ 20,814,969</u>	<u>\$ 9,590,519</u>	<u>\$ 5,306,189</u>	<u>\$ 1,129</u>				
General Revenues:								
Taxes					6,332,166	767,534	7,099,700	-
County Appropriation					-	-	-	383,088
Investment Earnings (Loss)					204,172	60,895	265,067	21,633
Other					21,052	-	21,052	312,210
Total General Revenues and Transfers					6,557,390	828,429	7,385,819	333,843
Change in Net Assets					788,949	300,514	1,089,463	1,096,155
Net Assets - Beginning					10,666,789	6,729,511	17,396,300	6,059,824
Net Assets - Ending					<u>\$ 11,455,738</u>	<u>\$ 7,030,025</u>	<u>\$ 18,485,763</u>	<u>\$ 7,155,979</u>

County of Benzie, Michigan

Balance Sheet Governmental Funds September 30, 2005

	General	Jail Operations	Revenue Sharing Reserve	BVTMC	Jail Millage	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash & Investments - Unrestricted	\$ 1,041,776	\$ 256,745	\$ 626,668	\$ 73,315	\$ 11,585	\$ 1,048,951	\$ 3,059,040
Receivables:							
Accounts	-	3,051	-	216,538	-	135,560	355,149
Taxes	66,398	-	-	-	-	-	66,398
Notes	150,000	-	-	-	-	-	150,000
Prepaid Expenses	30,400	14,371	-	-	-	10,852	55,623
Due From Other Funds	50,000	-	50,000	-	-	-	100,000
Due from Governmental Units	209,375	-	-	-	-	241,687	451,062
TOTAL ASSETS	\$ 1,547,949	\$ 274,167	\$ 676,668	\$ 289,853	\$ 11,585	\$ 1,437,050	\$ 4,237,272
LIABILITIES:							
Due to Other Funds	\$ 50,000	\$ -	\$ -	200,000	\$ -	\$ 50,000	\$ 300,000
Accounts Payable	76,439	9,690	-	85,733	-	50,819	222,681
Other Liabilities	-	-	-	-	-	6,758	6,758
Accrued Liabilities	31,524	14,854	-	-	-	11,292	57,670
TOTAL LIABILITIES	157,963	24,544	-	285,733	-	118,869	587,109
FUND BALANCES:							
Unreserved:							
Undesignated	802,389	-	-	-	-	-	802,389
Designated	587,597	249,623	676,668	4,120	11,585	1,318,181	2,847,774
TOTAL FUND BALANCES	1,389,986	249,623	676,668	4,120	11,585	1,318,181	3,650,163
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,547,949	\$ 274,167	\$ 676,668	\$ 289,853	\$ 11,585	\$ 1,437,050	
Reconciliation to amounts reported for governmental activities in the statement of net assets:							
Capital assets used by governmental activities							10,747,124
Long term notes & leases payable for governmental activities							(2,753,828)
Compensated absences liability							(174,729)
Accrued interest expense							(12,992)
Net assets of governmental activities							\$ 11,455,738

County of Benzie, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds Year Ended September 30, 2005

	General	Jail Operations	Revenue Sharing Reserve	BVTMC	Jail Millage	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Taxes	3,131,465	\$ -	\$ 1,004,059	\$ -	\$ 1,146,116	\$ 1,050,526	\$ 6,332,166
Licenses & Permits	52,436	-	-	-	-	-	52,436
Federal Sources	63,729	-	-	-	-	244,286	308,015
State Sources	355,937	2,909	-	344,359	-	379,374	1,082,579
Local Sources	-	-	-	-	-	27,632	27,632
Contributions	-	-	-	-	-	1,129	1,129
Charges for Services	897,628	247,898	-	-	-	1,559,724	2,705,250
Refunds & Reimbursements	165,400	-	-	-	-	5,238	170,638
Interest & Rentals	67,470	-	8,787	-	4,071	123,844	204,172
Other Revenue	-	273	-	101	-	20,678	21,052
TOTAL REVENUES	4,734,065	251,080	1,012,846	344,460	1,150,187	3,412,431	10,905,069
EXPENDITURES:							
Legislative	83,828	-	-	-	-	-	83,828
Judicial	591,177	-	-	-	-	24,472	615,649
General Government	1,374,496	-	-	-	-	40,640	1,415,136
Public Safety	1,028,764	1,430,171	-	-	5,241	694,246	3,158,422
Public Works	-	-	-	-	-	478,254	478,254
Health & Welfare	356,474	-	-	-	-	1,637,895	1,994,369
Recreation & Cultural	2,208	-	-	376,674	-	193,413	572,295
Capital Outlay	-	-	-	-	-	680,802	680,802
Debt Service	-	-	-	-	-	537,329	537,329
Other Expenditures	1,266,056	-	62,213	-	-	22,457	1,350,726
TOTAL EXPENDITURES	4,703,003	1,430,171	62,213	376,674	5,241	4,309,508	10,886,810
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	31,062	(1,179,091)	950,633	(32,214)	1,144,946	(897,077)	18,259
OTHER FINANCING SOURCES (USES):							
Bond Proceeds	-	-	-	-	-	610,000	610,000
Operating Transfers In	278,765	1,152,271	-	-	-	908,929	2,339,965
Operating Transfers Out	(340,574)	-	(273,965)	-	(1,204,353)	(521,073)	(2,339,965)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(30,747)	(26,820)	676,668	(32,214)	(59,407)	100,779	628,259
FUND BALANCES, OCTOBER 1	1,420,733	276,443	-	36,334	70,992	1,217,402	3,021,904
FUND BALANCES, SEPTEMBER 30	\$ 1,389,986	\$ 249,623	\$ 676,668	\$ 4,120	\$ 11,585	\$ 1,318,181	\$ 3,650,163

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2005**

Net Changes in fund balances – total governmental funds \$ 628,259

The change in net assets reported for governmental activities in the
Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures.
However, in the statement of activities, the cost of those assets
is capitalized and the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.
This is the amount by which capital outlays (\$591,169) exceeded
depreciation expense (\$367,060). 224,109

Repayment of principal is an expenditure in the governmental
fund but reduces the liability in the statement of net assets.

Principal repayments:
Bond Principal 390,000
Capital Lease 128,509

Bond proceeds and capital lease proceeds are an other financing
sources in the governmental funds, but increases the liability in the
statement of net assets.

Bond Proceeds (610,000)
Lease Proceeds (59,627)

Under the modified accrual basis of accounting used in governmental
funds, expenditures are not recognized for transactions that are not
normally paid with expendable available financial resources. In the
statement of activities, however, which is presented on the accrual
basis, expenses and liabilities are reported regardless of when financial
resources are available. In addition, interest on long-term debt is not
recognized under the modified accrual basis of accounting until due,
rather than as it accrues. This adjustment combines the following net
changes:

Revenue sharing payable \$ 62,212
Compensated absences 28,774
Accrued interest on bonds (3,287)
87,699

Changes in net assets of governmental funds \$ 788,949

County of Benzie, Michigan

Statement of Net Assets Proprietary Funds September 30, 2005

	Enterprise Funds				Totals
	Economic Development	County Medical Care Facility	Delinquent Tax Revolving	Other Funds	
ASSETS:					
Cash & Investments - Unrestricted	\$ 656,531	\$ 970,091	\$ 1,718,023	\$ 103,794	\$ 3,448,439
- Restricted	-	621,796	-	-	621,796
Receivables:					
Accounts	-	364,203	-	-	364,203
Taxes	-	-	746,523	-	746,523
Interest	-	-	59,789	-	59,789
Notes	538,228	-	-	-	538,228
Prepaid Expenses	-	39,825	-	-	39,825
Due From Other Funds	-	-	200,000	-	200,000
Due From Others	-	3,709	-	-	3,709
Land & Improvements	-	105,600	-	-	105,600
Buildings & Improvements	-	3,291,048	-	-	3,291,048
Machinery & Equipment	-	1,250,467	-	-	1,250,467
Construction in Progress	-	93,416	-	-	93,416
Accumulated Depreciation	-	(2,472,289)	-	-	(2,472,289)
TOTAL ASSETS	<u>\$ 1,194,759</u>	<u>\$ 4,267,866</u>	<u>\$ 2,724,335</u>	<u>\$ 103,794</u>	<u>\$ 8,290,754</u>
LIABILITIES:					
Accounts Payable	\$ -	\$ 187,830	\$ 687	\$ 120	\$ 188,637
Accrued Liabilities	-	60,351	-	-	60,351
Vested Employee Benefits	-	150,251	-	-	150,251
Deferred Revenue	-	-	111,490	-	111,490
Notes Payable	-	-	750,000	-	750,000
TOTAL LIABILITIES	<u>-</u>	<u>398,432</u>	<u>862,177</u>	<u>120</u>	<u>1,260,729</u>
NET ASSETS:					
Invested in Capital Assets (net of related debt)	-	2,268,242	-	-	2,268,242
Unrestricted	1,194,759	1,601,192	1,862,158	103,674	4,761,783
TOTAL NET ASSETS	<u>\$ 1,194,759</u>	<u>\$ 3,869,434</u>	<u>\$ 1,862,158</u>	<u>\$ 103,674</u>	<u>\$ 7,030,025</u>

County of Benzie, Michigan

Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds Year Ended September 30, 2005

	Enterprise Funds				Totals
	Economic Development	County Medical Care Facility	Delinquent Tax Revolving	Other Funds	
OPERATING REVENUES:					
Taxes & Penalties	\$ -	\$ 767,534	\$ -	\$ -	\$ 767,534
Charges for Services	-	4,255,533	76,699	17,059	4,349,291
Interest & Rentals	26,901	-	126,996	-	153,897
Contributions	-	19,115	-	-	19,115
Other Revenue	-	204,245	22,094	-	226,339
Total Operating Revenues	26,901	5,246,427	225,789	17,059	5,516,176
OPERATING EXPENSES:					
General & Administrative	10,099	1,780,746	-	-	1,790,845
Contracted Services	-	3,443,075	-	-	3,443,075
Other Expenses	-	-	8,551	10,541	19,092
Total Operating Expenses	10,099	5,223,821	8,551	10,541	5,253,012
OPERATING INCOME (LOSS)	16,802	22,606	217,238	6,518	263,164
NON-OPERATING REVENUES (EXPENSES):					
Interest & Rentals	-	23,228	37,667	-	60,895
Interest & Fiscal Charges	-	-	(23,545)	-	(23,545)
Operating Transfers In	-	-	-	12,864	12,864
Operating Transfers Out	-	-	(12,864)	-	(12,864)
Total Non-operating Expenses	-	23,228	1,258	12,864	37,350
CHANGE IN NET ASSETS	16,802	45,834	218,496	19,382	300,514
NET ASSETS, OCTOBER 1	1,177,957	3,823,600	1,643,662	84,292	6,729,511
NET ASSETS, SEPTEMBER 30	<u>\$ 1,194,759</u>	<u>\$ 3,869,434</u>	<u>\$ 1,862,158</u>	<u>\$ 103,674</u>	<u>\$ 7,030,025</u>

County of Benzie, Michigan

Statement of Cash Flows Proprietary Funds For the Year Ended September 30, 2005

	Enterprise Funds				
	Economic Development	Medical Care Facility	Delinquent Tax Revolving	Other Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 80,022	\$ 5,224,516	\$ 184,544	\$ 17,059	\$ 5,506,141
Payments to Suppliers	(10,134)	(2,522,485)	(39,482)	(10,421)	(2,582,522)
Payments to Employees	-	(2,635,077)	-	-	(2,635,077)
Net Cash Provided (Used) by Operating Activities	69,888	66,954	145,062	6,638	288,542
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Operating Transfers In	-	-	-	12,864	12,864
Operating Transfers Out	-	-	(12,864)	-	(12,864)
Cash Provided (Used) by Non-Capital Financing Activities	-	-	(12,864)	12,864	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of Capital Assets	-	(461,593)	-	-	(461,593)
Notes Payable Proceeds	-	-	1,000,000	-	1,000,000
Equity Transfer	-	-	(62,132)	62,132	-
Principal Payments	-	-	(1,250,000)	-	(1,250,000)
Interest Payments	-	-	(23,545)	-	(23,545)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(461,593)	(335,677)	62,132	(735,138)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	-	23,228	37,667	-	60,895
Net Cash Provided (Used in) Investing Activities	-	23,228	37,667	-	60,895
Net Increase (Decrease) in Cash and Cash Equivalents	69,888	(371,411)	(165,812)	81,634	(385,701)
Balances - Beginning of the Year	586,643	1,963,298	1,883,835	22,160	4,455,936
Balances - End of the Year	\$ 656,531	\$ 1,591,887	\$ 1,718,023	\$ 103,794	\$ 4,070,235
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 16,802	\$ 22,606	\$ 217,238	\$ 6,518	\$ 263,164
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	-	167,976	-	-	167,976
Change in Assets and Liabilities:					
Accounts Receivable	-	(34,975)	-	-	(34,975)
Taxes Receivable	-	-	103,904	-	103,904
Interest Receivable	-	-	16,485	-	16,485
Notes Receivable	53,121	-	-	-	53,121
Due from Other Funds	-	-	(162,910)	-	(162,910)
Due from Others	-	(2,446)	-	-	(2,446)
Prepaid Expenses	-	15,510	-	-	15,510
Other Assets	-	-	1,276	-	1,276
Increase (Decrease) in Liabilities:					
Due to Others	-	-	(41,249)	-	(41,249)
Accounts Payable	(35)	(107,594)	(1,278)	120	(108,787)
Accrued Liabilities	-	5,877	-	-	5,877
Deferred Revenue	-	-	11,596	-	11,596
Net Cash Provided by Operating Activities	\$ 69,888	\$ 66,954	\$ 145,062	\$ 6,638	\$ 288,542

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2005

	<u>Agency Funds</u>
ASSETS:	
Cash & Cash Equivalents:	
Unrestricted	<u>\$ 2,895,973</u>
 TOTAL ASSETS	 <u><u>\$ 2,895,973</u></u>
 LIABILITIES:	
Due to Others	<u>\$ 2,895,973</u>
 TOTAL LIABILITIES	 <u><u>\$ 2,895,973</u></u>

Component Units

Statement of Net Assets
Component Units
September 30, 2005

	Road Commission	Benzie/ Leelanau District Health Dept.	Totals
ASSETS:			
Current Assets:			
Cash & Investments - Unrestricted	\$ 596,245	\$ 280,303	\$ 876,548
Accounts Receivable	568,947	14,424	583,371
Due from Governmental Units	-	159,089	159,089
Inventories	432,431	-	432,431
Prepaid Expenses	-	43,867	43,867
Total Current Assets	<u>1,597,623</u>	<u>497,683</u>	<u>2,095,306</u>
Noncurrent Assets:			
Capital Assets (net)	<u>5,845,077</u>	<u>34,294</u>	<u>5,879,371</u>
TOTAL ASSETS	<u><u>\$ 7,442,700</u></u>	<u><u>\$ 531,977</u></u>	<u><u>\$ 7,974,677</u></u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 100,892	\$ 22,228	\$ 123,120
Accrued Liabilities	21,032	32,385	53,417
Deferred Revenue	8,716	5,817	14,533
Advances from State	257,342	-	257,342
Installment Loans	<u>128,488</u>	<u>-</u>	<u>128,488</u>
Total Current Liabilities	<u>516,470</u>	<u>60,430</u>	<u>576,900</u>
Noncurrent Liabilities:			
Vested Employee Benefits	94,995	42,717	137,712
Installment Loans	<u>104,086</u>	<u>-</u>	<u>104,086</u>
Total Noncurrent Liabilities	<u>199,081</u>	<u>42,717</u>	<u>241,798</u>
TOTAL LIABILITIES	<u>715,551</u>	<u>103,147</u>	<u>818,698</u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	5,612,503	34,294	5,646,797
Restricted for County Road	1,114,646	-	1,114,646
Unrestricted	<u>-</u>	<u>394,536</u>	<u>394,536</u>
TOTAL NET ASSETS	<u><u>\$ 6,727,149</u></u>	<u><u>\$ 428,830</u></u>	<u><u>\$ 7,155,979</u></u>

County of Benzie, Michigan

Statement of Activities Component Units Year Ended September 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Grants	Capital Grants and Contributions	Road Commission	Benzie/ Leelanau District Health Dept.	Total
Road Commission:							
Public Works	\$ 3,267,331	\$ 1,209,353	\$ 2,998,815	\$ -	\$ 940,837	\$ -	\$ 940,837
Benzie/Leelanau District Health Dept.							
Health & Welfare	2,154,961	691,073	902,275	-	-	(561,613)	(561,613)
Total Component Units	<u>\$ 5,422,292</u>	<u>\$ 1,900,426</u>	<u>\$ 3,901,090</u>	<u>\$ -</u>	<u>940,837</u>	<u>(561,613)</u>	<u>379,224</u>
General Revenues:							
County Appropriations					-	383,088	383,088
Investment Earnings					16,329	5,304	21,633
Other					85,632	226,578	312,210
Total General Revenues and Transfers					<u>101,961</u>	<u>614,970</u>	<u>716,931</u>
Change in Net Assets					1,042,798	53,357	1,096,155
Net Assets - Beginning					<u>5,684,351</u>	<u>375,473</u>	<u>6,059,824</u>
Net Assets - Ending					<u>\$ 6,727,149</u>	<u>\$ 428,830</u>	<u>\$ 7,155,979</u>

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Benzie, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

A – Reporting Entity:**Financial Reporting Entity**

The County of Benzie, Michigan was organized in 1869 and covers an area of approximately 316 square miles with the County Seat located in Beulah, Michigan. The County operates under an elected Board of Commissioners of seven (7) members and provides services, assistance, and care to its residents. As required by U.S. generally accepted accounting principles, these basic financial statements present the County of Benzie (primary government) and its component units. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the County.

Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

County of Benzie Building Authority – The Authority is an entity legally separate from the County. The Authority is governed by a board, appointed by the Commission and is reported as if it were part of the County's operations because its primary purpose is the procurement and management of debt financing for the County.

County of Benzie Economic Development Corporation – The Corporation is a legally separate non-profit corporation whose primary purpose is to promote economic development in County of Benzie. The board of the Economic Development Corporation is appointed by the Board of Commissioners. The Corporation's annual budget is subject to the approval of the Board of Commissioners and is financially accountable to the County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

County of Benzie Medical Care Facility – The Medical Care Facility is governed by a board appointed entirely by the County Board of Commissioners. The facility provides long-term care services primarily to the residents of County of Benzie.

Discretely Presented Component Units

The component units column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of the component units:

County of Benzie Road Commission – The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Commission. Complete financial statements of the individual component unit can be obtained from the following:

Benzie County Road Commission
11318 Main Street
Honor, Michigan 49640

Benzie – Leelanau Public Health Department – The members of the governing body of the Health Department are jointly appointed by the Benzie and Leelanau County Commissions. The Health Department's operational and capital budgets are not subject to approval or modification by any governmental entity, and it establishes fees for various services and other activities.

Complete financial statements of the individual component unit can be obtained from the following:

Benzie – Leelanau Health Department
6051 Frankfort Hwy, Suite 100
Benzonia, Michigan 49616

Jointly Governed Organization

City – County Airport – The City-County Airport Authority, an entity legally separate from the County, is governed by a five-member board. Two members are appointed from the County; two members are appointed from the City of Frankfort; and the fifth member is appointed by the four members of the County and City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For financial reporting purposes, the Authority is reported as a separate unit because the Authority can legally issue debt (although it has a letter of understanding with the City of Frankfort that no debt will be issued); levy tax revenue if desired; and adopt and amend its own budget. In the event of the Authority being dissolved, it will be reverted to the City of Frankfort. The Authority operates on a June 30 year end.

Related Organization

Manistee – Benzie Mental Health – The Manistee – Benzie Mental Health is governed by a board whose voting majority is appointed by the Manistee County Board of Commissioners.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The County of Benzie property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Benzie as of the preceding December 31st and July 1st.

Although the County of Benzie 2004 ad valorem tax is levied and collectible on December 1, 2004, and 2005 ad valorem tax is levied and collectible on July 1, 2005, it is the County of Benzie's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The 2004 taxable valuation of the County of Benzie totaled \$801,357,329, on which ad valorem taxes levied consisted of 3.7565 mills for the County operating, .6306 mills for Medical Care Facility Operating, .9556 mills for Commission on Aging, 1.4236 mills for Jail Debt and Operations, .0976 mills for Animal Control, .6500 mills for Ambulance Millage, and .0250 mills for Soldier Relief, raising \$3,010,299 for operating, \$765,777 for Medical Care Facility Operating, \$505,336 for Commission on Aging, \$1,140,812 for Jail Debt and Operations, \$78,212 for Animal Control, \$520,882 for Ambulance Millage, and \$20,034 for Soldier Relief. These amounts are recognized in the respective General, Special Revenue, and Debt Service Fund financial statements as tax revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The July 1, 2005 taxable valuation of County of Benzie totaled \$871,259,780, on which ad valorem taxes levied consisted of 1.221 mills for the General Fund, this amount is recognized in the General Fund financial statements as revenue.

The County also raised \$1,009,169 for the Revenue Sharing Reserve. This money was 1/3 of the County's operating levy in 2004.

All other revenue items are considered to be available only when cash is received by the government.

The County reports the following major governmental funds:

General Fund

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Jail Operation Fund

This fund accounts for the operation of the jail.

Revenue Sharing Fund

This fund accounts for tax monies set aside to replace the revenue sharing monies from the State of Michigan.

Betsie Valley Trail Management Fund

This fund accounts for grants and expenditures to enhance and improve the Betsie Valley Trail.

Jail Millage Fund

This fund accounts for the collection of the jail millage.

The County reports the following major proprietary funds:

Medical Care Facility

This fund accounts for the long-term care services provided to the residents of Benzie County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Economic Development Fund**

This fund accounts for activities that create and expand business within Benzie County.

Delinquent Tax Fund

This fund accounts for the collection of delinquent taxes.

Additionally, the County reports the following fund types:

Agency Funds

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**D - Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Expenditures for insurance and similar services are expensed when paid. A deposit of \$75,000 with the County’s risk management authority is recorded as a prepaid expense to reflect the amount available to pay for incidental claims under the County’s deductible amount.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Infrastructure – Roads	8 to 20 years
Infrastructure – Bridges	12 to 30 years

Vested Benefits Payable – County General Employees - The county's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service.

The annual vacation benefits earned by each employee during the current year are credited to the employee at year end. Employees are required to use their vacation benefits within one year, except under special circumstances where, with the approval of the department head, some carry-over may be authorized.

The county's employment policies provide for sick leave benefits to be earned at the rate of 64 hours applied on January 1st. of each year. Payment for sick time upon separation of employment is disbursed according to the separate union contracts covering sheriff department employee's and the government center union employee's. The nonunion personnel are paid half of their accumulated sick time.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each September, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing October 1 and lapses on September 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Cash Equivalents - Unrestricted	\$ 3,059,040	\$ 3,448,439	\$ 6,507,479	\$ 2,895,973	\$ 876,548
Cash and Cash Equivalents - Restricted	-	621,796	621,796	-	-
Total	<u>\$ 3,059,040</u>	<u>\$ 4,070,235</u>	<u>\$ 7,129,275</u>	<u>\$ 2,895,973</u>	<u>\$ 876,548</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 7,126,385	\$ 2,895,973	\$ 875,483
Petty Cash and Cash on Hand	<u>2,890</u>	-	<u>565</u>
Total	<u>\$ 7,129,275</u>	<u>\$ 2,895,973</u>	<u>\$ 876,548</u>

Cash has been restricted in the Benzie MCF for equipment replacement and building improvements.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

Custodial credit risk. Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$8,975,541 of the County's bank balance of \$9,952,956 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County's deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds are as follows:

	General Fund	Jail Operations	BVTMG	Medical Care Facility	Economic Development	Non-Major and Other Funds	Total
Receivables:							
Accounts	\$ -	\$ 3,051	\$ 216,538	\$ 364,203	\$ -	\$ 135,560	\$ 719,352
Taxes	66,398	-	-	-	-	746,523	812,921
Interest	-	-	-	-	-	59,789	59,789
Notes	150,000	-	-	-	538,228	-	688,228
Due From Others	209,375	-	-	3,709	-	241,687	454,771
Net Receivables	\$ 425,773	\$ 3,051	\$ 216,538	\$ 367,912	\$ 538,228	\$ 1,183,559	\$ 2,735,061

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 5,938,300	\$ -	\$ -	\$ 5,938,300
Subtotal	5,938,300	-	-	5,938,300

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets being depreciated:				
Buildings	5,632,956	-	-	5,632,956
Machinery and equipment	<u>1,661,233</u>	<u>591,169</u>	<u>206,292</u>	<u>2,046,110</u>
Subtotal	<u>7,294,189</u>	<u>591,169</u>	<u>206,292</u>	<u>7,679,066</u>
Less accumulated depreciation for:				
Buildings	1,638,914	140,824	-	1,779,738
Machinery and equipment	<u>1,070,560</u>	<u>226,236</u>	<u>206,292</u>	<u>1,090,504</u>
Subtotal	<u>2,709,474</u>	<u>367,060</u>	<u>206,292</u>	<u>2,870,242</u>
Net Capital Assets Being Depreciated	<u>4,584,715</u>	<u>224,109</u>	<u>-</u>	<u>4,808,824</u>
Governmental Activities Capital Assets – Net of Depreciation	<u>\$ 10,523,015</u>	<u>\$ 224,109</u>	<u>\$ -</u>	<u>\$ 10,747,124</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	<u>\$ 12,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,424</u>
Subtotal	<u>12,424</u>	<u>-</u>	<u>-</u>	<u>12,424</u>
Capital assets being depreciated:				
Land and improvements	85,244	7,932	-	93,176
Buildings and improvements	2,168,325	1,130,985	8,262	3,291,048
Equipment	1,183,915	66,553	-	1,250,468
Committed building funds	834,849	83,937	834,849	83,937
Committed equipment funds	<u>-</u>	<u>9,479</u>	<u>-</u>	<u>9,479</u>
Subtotal	<u>4,272,333</u>	<u>1,298,886</u>	<u>843,111</u>	<u>4,728,108</u>
Less accumulated depreciation for:				
Land and improvements	73,974	2,328	-	76,302
Buildings and improvements	1,316,522	101,098	5,818	1,411,802
Equipment	<u>919,636</u>	<u>64,550</u>	<u>-</u>	<u>984,186</u>
Subtotal	<u>2,310,132</u>	<u>167,976</u>	<u>5,818</u>	<u>2,472,290</u>
Net Capital Assets Being Depreciated	<u>1,962,201</u>	<u>1,130,910</u>	<u>837,293</u>	<u>2,255,818</u>
Business-type Activities Capital Assets - Net of Depreciation	<u>\$ 1,974,625</u>	<u>\$ 1,130,910</u>	<u>\$ 837,293</u>	<u>\$ 2,268,242</u>

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:

General Government	\$ 80,173
Public Safety	209,364
Health and Welfare	<u>77,523</u>

Total Governmental Activities	<u>\$ 367,060</u>
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During the year, two of Benzie County's general fixed assets were placed out of service. These assets include E-911 and Norstar Equipment purchased in 1999 for \$103,814 and a Compaq Proliant Server purchased in 2001 for \$26,250. The E-911 and Norstar equipment was fully depreciated before its retirement. The Compaq Proliant Server had a book value of \$25,953

Capital asset activity of the Benzie County Road Commission for the current year was as follows:

	Beginning Balances 10/01/04	Additions	Adjustments/ Deductions	Ending Balances 09/30/05
Capital Assets Not Being Depreciated				
Land	\$ 12,708	\$ -	\$ -	\$ 12,708
Land Improvements	<u>1,510,613</u>	<u>607,448</u>	<u>(10,115)</u>	<u>2,128,176</u>
Subtotal	<u>1,523,321</u>	<u>607,448</u>	<u>(10,115)</u>	<u>2,140,884</u>
Capital Assets Being Depreciated				
Buildings	901,056	101,112	8,329	993,839
Road Equipment	4,247,674	362,148	520,197	4,089,625
Shop Equipment	46,199	-	4,764	41,435
Office Equipment	47,814	-	2,325	45,489
Engineer's Equipment	43,292	3,949	12,606	34,635
Yard and Storage	182,790	-	-	182,790
Infrastructure	<u>2,119,682</u>	<u>457,782</u>	<u>10,115</u>	<u>2,567,349</u>
Subtotal	<u>7,588,507</u>	<u>924,991</u>	<u>558,336</u>	<u>7,955,162</u>
Less Accumulated Depreciation				
Buildings	\$ 426,422	\$ 84,974	\$ 8,329	\$ 503,067
Road Equipment	3,466,079	351,798	515,991	3,301,886
Shop Equipment	31,812	5,052	4,764	32,100
Office Equipment	38,240	4,134	2,325	40,049
Engineer's Equipment	34,045	4,623	12,606	26,062
Yard and Storage	77,062	14,841	-	91,903
Infrastructure	<u>58,932</u>	<u>196,970</u>	<u>-</u>	<u>255,902</u>
Subtotal	<u>4,132,592</u>	<u>662,392</u>	<u>544,015</u>	<u>4,250,969</u>
Net Capital Assets Being Depreciated	<u>3,455,915</u>	<u>262,599</u>	<u>14,321</u>	<u>3,704,193</u>
Total Net Capital Assets	<u>\$ 4,979,236</u>	<u>\$ 870,047</u>	<u>\$ 4,206</u>	<u>\$ 5,845,077</u>

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to operations as follows:

Primary	\$ 117,974
Local	78,996
Equipment	351,799
Administration	8,756
Other	<u>104,867</u>
Total	<u>\$ 662,392</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivable and Payable are as follows:

DUE FROM OTHER FUNDS

	DUE TO OTHER FUNDS			
	General Fund	Other Funds	Delinquent Tax	Totals
General Fund	\$ -	\$ 50,000	\$ -	\$ 50,000
Revenue Sharing	50,000	-	-	50,000
BVTMC	-	-	200,000	200,000
Total	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 200,000</u>	<u>\$ 300,000</u>

Interfund Transfers

TRANSFERS IN

	TRANSFERS (OUT)				
	General Fund	Jail Millage	Revenue Sharing Reserve	All Others	Total
General Fund	\$ -	\$ -	\$ 273,965	\$ 4,800	\$ 278,765
Jail Operations	185,896	831,495	-	134,880	1,152,271
All Other	<u>154,678</u>	<u>372,858</u>	<u>-</u>	<u>394,257</u>	<u>921,793</u>
Total	<u>\$ 340,574</u>	<u>\$ 1,204,353</u>	<u>\$ 273,965</u>	<u>\$ 533,937</u>	<u>\$ 2,352,829</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - LEASES

Capital Leases – The County leases vehicles and telephone equipment under capital leases with yearly lease payments ranging from \$3,421 to \$20,853, including interest rates ranging from 4.55% to 16.72%. The leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present values are as follows:

2006	\$	34,007
2007		<u>23,231</u>
Total minimum lease payments		57,238
Less amount representing interest		<u>(3,410)</u>
Present value of minimum lease payment	\$	<u>53,828</u>

NOTE 8 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities							
General Obligation Bonds							
1990 Building							
Authority Bonds	5.25%	2009	\$ 635,000	\$ -	-	\$ 635,000	\$ -
1997 Building							
Authority Bonds	4.375-4.40%*	2007	880,000	-	250,000	630,000	295,000
1998 Building							
Authority Bonds	3.60-4.95%	2018	965,000	-	50,000	915,000	50,000
Capital Improvement							
Bonds	2.5-3.5%	2010	<u>-</u>	<u>610,000</u>	<u>90,000</u>	<u>520,000</u>	<u>90,000</u>
Total Governmental							
Activities			<u>\$ 2,480,000</u>	<u>\$ 610,000</u>	<u>\$ 390,000</u>	<u>\$ 2,700,000</u>	<u>\$ 435,000</u>
Business-Type Activities							
General Obligation Bonds							
2004 Tax Notes Series	Variable**	2007	\$ 1,000,000	-	\$ 1,000,000	\$ -	\$ -
2005 Tax Notes Series	Variable**	2008	<u>-</u>	<u>1,000,000</u>	<u>250,000</u>	<u>750,000</u>	<u>750,000</u>
Total Business-Type Activities			<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,250,000</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>

NOTE 8 - LONG-TERM DEBT (Continued)

* 1997 Building Authority general obligation bonds represent a legal partial defeasance of the 1990 Building Authority general obligation bonds.

**Interest payments vary according to payment dates and interest rates.

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 435,000	\$ 120,278
2007	480,000	102,683
2008	460,000	82,945
2009	515,000	61,370
2010	195,000	37,005
2011-2015	375,000	112,837
2016-2020	<u>240,000</u>	<u>24,465</u>
Total	<u>\$ 2,700,000</u>	<u>\$ 541,583</u>

A summary of vested benefits payable at September 30, 2005 is as follows:

Vacation	\$ 89,395
Sick Leave	<u>85,334</u>
TOTALS	<u>\$ 174,729</u>

NOTE 9 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The County joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

NOTE 10 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at September 30, 2005.

Cost Settlement – Medical care facility services rendered to various insurance program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a client classification system that is based on clinical, diagnostic, and other factors. Certain health services and defined capital costs are paid based on a cost reimbursement methodology. The facility reports such activity through the submission of its annual cost reports which are subject to audit by the fiscal intermediary. The facility's classification of clients under the program and the appropriateness of their admission are subject to an independent review by a peer review organization.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMSDescription of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2004.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

The contribution rate as a percentage of payroll at December 31, 2004 is as follows:

Courthouse Employees	7.50%
Sheriff Department	11.31%
Elected Officials	23.01%
Commissioner	20.81%
Non-Union/Non-Elected	13.60%
COAM	12.07%

Annual Pension Cost

During the year ended September 30, 2005, the County's contributions totaling \$328,884 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	2002	2003	2004
Actuarial Value of Assets	\$ 4,815,948	\$ 5,128,385	\$ 5,622,450
Actuarial Accrued Liability	6,064,300	6,211,553	7,346,552
Unfunded AAL	1,248,352	1,083,168	1,724,102
Funded Ratio	79%	83%	77%
Covered Payroll	2,664,385	2,527,455	2,500,259
UAAL as a Percentage of Covered Payroll	47%	43%	69%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 273,792	100%	0
2003	230,884	100%	0
2004	273,258	100%	0

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**ROAD COMMISSION**Description of Plan and Plan Assets

The Road Commission has an agent, single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2004.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which require employees to contribute based on gross wages by County Road Commission only.

Annual Pension Cost

For year ended September 30, 2005, the Benzie County Road Commission's pension cost of \$218,729 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2002, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8 % investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Three year trend information as of December 31 follows:

	2002	2003	2004
Actuarial Value of Assets	\$ 2,310,321	\$ 2,505,519	\$ 2,688,848
Actuarial Accrued Liability	4,093,879	4,830,963	5,371,854
Unfunded AAL	1,783,558	2,325,444	2,683,006
Funded Ratio	56%	52%	50%
Covered Payroll	1,146,459	1,179,287	1,227,814
UAAL as a Percentage of Covered Payroll	156%	197%	219%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 148,952	100%	0
2003	113,921	100%	0
2004	133,921	100%	0

BENZIE MCF (MAPLES)Pension Plan

The Benzie County Medical Care Facility contributes to the Michigan Municipal Employees Retirement System, an agent multiple employer public employee retirement system that acts as a common investment and administrative agent for units of local government in Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. All full-time employees become a member of the System on the first day of employment, and are completely vested after 10 years of service. Service retirement allowances are based upon 1.5 percent of the member's 5-year final average compensation. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2004.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by policy, which requires employees to contribute to the plan. The Medical Care Facility is required to contribute at an actuarially determined rate.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)Annual Pension Cost

During the year ended September 30, 2005, the Medical Care Facility contributions totaling \$156,850 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level of percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level of percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the members retirement to pay for this projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

	2002	2003	2004
Actuarial Value of Assets	\$ 3,250,719	\$ 3,664,439	\$ 4,060,995
Actuarial Accrued Liability	3,539,240	3,917,916	4,164,015
Unfunded AAL	288,521	253,477	103,020
Funded Ratio	92%	94%	98%
Covered Payroll	2,478,528	2,566,800	2,691,102
UAAL as a Percentage of Covered Payroll	12%	10%	4%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 115,237	100%	0
2003	107,465	100%	0
2004	160,414	100%	0

BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT

Plan Description - Benzie/Leelanau District Health Department of Benzie/Leelanau Counties, Michigan participates in an agent multiple-employer public employee pension plan which covers four employees. Employees are covered under a B-3, F-55 plan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 447 North Canal Street, Lansing, Michigan.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)Funding Policy

The obligation to contribute and maintain the system for these employees was established by the personnel policy, currently no employee contribution is required.

Annual Pension Costs

For year ended 2005, the Health Department's annual pension cost of \$24,242 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2004, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Additional projected salary increases of up to 2.5% per year annually after retirement for persons under certain benefit packages. The actuarial value of assets determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2004 is as follows:

	2002	2003	2004
Actuarial Value of Assets	\$ 165,565	\$ 216,002	\$ 248,243
Actuarial Accrued Liability	210,537	267,400	302,388
Unfunded AAL	44,972	51,398	54,145
Funded Ratio	78%	81%	82%
Covered Payroll	212,522	169,068	173,624
UAAL as a Percentage of Covered Payroll	21%	30%	31%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 27,048	100%	0
2003	21,586	100%	0
2004	29,438	100%	0

NOTE 12 - DEFINED CONTRIBUTION (MONEY PURCHASE) PENSION PLAN

The Benzie/Leelanau District Health Department contributes to a defined contribution retirement plan administered by the Board of Health with the International City Management Association Retirement Corporation (ICMA), acting as an investment fiduciary.

The Department contributed \$97,051 to the plan during the year ended September 30, 2005 equal to 10% of covered payroll.

NOTE 13 - PROPORTIONATE SHARE REIMBURSEMENT REVENUE

The Michigan Family Independence Agency, in order to provide continuing access to long-term care services for Medicaid recipients, modified its reimbursement system to participate in a "proportionate share" pool to qualified long-term care providers.

Under such a plan the system maximizes the federal Medicaid matching revenues through the intergovernmental transfer program. The Benzie County Medical Care Facility participates in this program to the extent of its share of Medicaid utilization in relation to the total for Class III facilities that are governmentally owned.

NOTE 14 - LEASES

Building Lease

The County entered into a 20 year lease contract with the Department of Human Services on November 1, 1999 for the rental of office space within the County Building. Under the agreement, the Department of Human Services promises to pay monthly cash rental payments to the County as follows:

2006	\$ 120,337
2007	120,337
2008	120,337
2009	120,337
2010	123,947
2011-2014	495,788
2015-2019	<u>638,327</u>
Total	<u>\$ 1,739,410</u>

NOTE 15 - BUDGET VIOLATIONS

Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations by material are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund/Other Expenditures	\$ 1,226,769	\$ 1,266,056	\$ (39,287)
Jail Millage/Transfers Out	1,135,861	1,204,353	(68,492)

NOTE 16 - FUND EQUITY DESIGNATIONS:

Fund equity designations can be described as follows:

General Fund	\$ 587,597	Designated for Capital Improvement
Debt Service	390,279	Designated for Debt Service
Special Revenue	1,710,554	Designated for Fund Purpose
Capital Project	159,344	Designated for Capital Projects

Required Supplemental Information

County of Benzie, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,076,864	\$ 3,078,264	\$ 3,131,465	\$ 53,201
Licenses & Permits	45,044	52,294	52,436	142
Federal Sources	46,123	75,357	63,729	(11,628)
State Sources	346,155	354,472	355,937	1,465
Charges for Services	755,150	866,798	897,628	30,830
Refunds & Reimbursements	96,550	125,441	165,400	39,959
Interest & Rentals	51,500	58,000	67,470	9,470
Other Revenue	25,000	23,565	-	(23,565)
TOTAL REVENUES	4,442,386	4,634,191	4,734,065	99,874
EXPENDITURES:				
Legislative:				
Board of Commissioners	78,080	86,330	83,828	2,502
Judicial:				
Circuit Court	205,406	224,063	217,572	6,491
District Court	163,021	175,521	168,759	6,762
Friend of the Court	31,335	78,560	53,823	24,737
Juvenile Division	54,227	54,227	52,091	2,136
Law Library	1,500	1,500	1,500	-
Probate Court	98,308	98,308	97,432	876
Total Judicial	553,797	632,179	591,177	41,002
General Government:				
County Administrator	79,382	97,382	95,962	1,420
Elections	30,000	48,450	48,144	306
County Clerk	135,835	135,835	128,013	7,822
Equalization	113,389	219,466	217,099	2,367
Prosecuting Attorney	148,708	151,483	145,831	5,652
Register of Deeds	127,551	127,551	124,960	2,591
Treasurer	151,714	153,014	133,456	19,558
Cooperative Extension	57,598	57,598	55,249	2,349
Legal & Contracted Services	76,000	92,800	90,100	2,700
Postage	53,000	54,000	48,601	5,399
Buildings & Grounds	251,864	262,864	256,829	6,035
Drain Commission	9,075	9,075	6,540	2,535
Techonology Support	20,840	22,840	21,327	1,513
Plat Board	250	250	210	40
Soil Erosion	1,500	1,500	1,500	-
Surveyor	675	675	675	-
Total General Government	1,257,381	1,434,783	1,374,496	60,287

County of Benzie, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	779,913	787,880	769,292	18,588
Zoning Department	19,900	27,020	26,224	796
Marine Enforcement	26,292	26,292	22,055	4,237
Snowmobile	29,685	29,685	19,121	10,564
Sheriff Secondary Road Patrol	66,894	63,394	51,180	12,214
Zero Tolerance	36,817	36,817	35,022	1,795
Planning Department	84,006	89,006	88,072	934
Civil Preparedness	19,150	19,150	17,798	1,352
Total Public Safety	1,062,657	1,079,244	1,028,764	50,480
Health & Welfare:				
Health Department	175,037	175,037	172,502	2,535
Medical Examiner	16,360	16,360	9,353	7,007
Mental Health Board	114,273	114,273	114,273	-
Social Welfare	10,000	10,000	10,000	-
County EDC	49,167	50,346	50,346	-
Total Health & Welfare	364,837	366,016	356,474	9,542
Recreation and Culture				
Parks & Recreation	3,500	3,500	2,033	1,467
Library Board	250	250	175	75
Total Recreation and Culture	3,750	3,750	2,208	1,542
Other Expenditures:				
Medical Insurance	650,231	655,785	654,303	1,482
Unemployment Insurance	2,000	2,000	1,754	246
Worker's Comp Insurance	36,628	37,628	27,447	10,181
Insurance & Bonds	122,950	143,450	201,392	(57,942)
Social Security	143,153	143,253	141,605	1,648
Retirement Benefits	202,153	230,653	225,737	4,916
Other Miscellaneous	1,000	14,000	13,818	182
Total Other Expenditures	1,158,115	1,226,769	1,266,056	(39,287)
TOTAL EXPENDITURES	4,478,617	4,829,071	4,703,003	126,068
EXCESS OF REVENUES OVER EXPENDITURES	(36,231)	(194,880)	31,062	225,942
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	336,542	341,342	278,765	(62,577)
Operating Transfers Out	(300,311)	(402,900)	(340,574)	62,326
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ (256,438)	(30,747)	\$ 225,691
FUND BALANCE, OCTOBER 1			1,420,733	
FUND BALANCE, SEPTEMBER 30			\$ 1,389,986	

**Required Supplemental Information
Budgetary Comparison Schedule
Jail Operations Fund
Year Ended September 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 8,000	\$ -	\$ 2,909	\$ 2,909
Charges for Services	97,170	256,905	247,898	(9,007)
Other Revenue	500	500	273	(227)
TOTAL REVENUES	105,670	257,405	251,080	(6,325)
EXPENDITURES:				
Public Safety	1,062,383	1,454,753	1,430,171	24,582
TOTAL EXPENDITURES	1,062,383	1,454,753	1,430,171	24,582
EXCESS OF REVENUES (EXPENDITURES)	(956,713)	(1,197,348)	(1,179,091)	18,257
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	765,871	1,155,139	1,152,271	(2,868)
Operating Transfers Out	-	(3,391)	-	3,391
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (190,842)	\$ (45,600)	(26,820)	\$ 18,780
FUND BALANCE, OCTOBER 1			276,443	
FUND BALANCE, SEPTEMBER 30			\$ 249,623	

**Required Supplemental Information
Budgetary Comparison Schedule
Revenue Sharing Reserve Fund
Year Ended September 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ 1,004,059	\$ 1,004,059	\$ -
Interest & Rentals	-	8,000	8,787	787
TOTAL REVENUES	-	1,012,059	1,012,846	787
EXPENDITURES:				
Other Expenditures	-	62,213	62,213	-
TOTAL EXPENDITURES	-	62,213	62,213	-
EXCESS OF REVENUES OVER EXPENDITURES	-	949,846	950,633	787
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	-	(273,965)	(273,965)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ 675,881	676,668	\$ 787
FUND BALANCE, OCTOBER 1			-	
FUND BALANCE, SEPTEMBER 30			\$ 676,668	

**Required Supplemental Information
Budgetary Comparison Schedule
Jail Millage Fund
Year Ended September 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,137,061	\$ 1,137,061	\$ 1,146,116	\$ 9,055
Interest & Rentals	1,150	4,222	4,071	(151)
TOTAL REVENUES	1,138,211	1,141,283	1,150,187	8,904
EXPENDITURES:				
Public Safety	2,350	5,422	5,241	181
TOTAL EXPENDITURES	2,350	5,422	5,241	181
EXCESS OF REVENUES OVER EXPENDITURES	1,135,861	1,135,861	1,144,946	9,085
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(1,135,861)	(1,135,861)	(1,204,353)	(68,492)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	(59,407)	\$ (59,407)
FUND BALANCE, OCTOBER 1			70,992	
FUND BALANCE, SEPTEMBER 30			\$ 11,585	

**Required Supplemental Information
Budgetary Comparison Schedule
BVTMC Fund
Year Ended September 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 68,484	\$ 365,731	\$ 344,359	\$ (21,372)
Other Revenue	-	-	101	101
TOTAL REVENUES	68,484	365,731	344,460	(21,271)
EXPENDITURES:				
Recreation & Cultural	68,484	365,731	376,674	(10,943)
TOTAL EXPENDITURES	68,484	365,731	376,674	(10,943)
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	(32,214)	\$ (32,214)
FUND BALANCE, OCTOBER 1			36,334	
FUND BALANCE, SEPTEMBER 30			\$ 4,120	

Other Supplemental Information

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2005

	Special Revenue Funds									
	Sheriff's K-9	Benzie Co. Sheriff Reserve's	Benzie Co. Dive Team	School Resource Officer	Benzie Co. Kids	Benzie Co. DARE	Benzie	Advanced Life Support (ALS)	Friend of the Court	FOC Access/Visitation Grant
ASSETS:										
Cash & Investments - Unrestricted	\$ 1,181	\$ 6,723	\$ 328	\$ 18,992	\$ 71,456	\$ 2,946	\$ 26,179	\$ 16,826	\$ 28,006	\$ 4,159
Receivables:										
Accounts	-	-	-	-	-	-	-	131,785	-	-
Prepaid Expenses	-	-	-	-	1,155	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	-	-	7,972
TOTAL ASSETS	\$ 1,181	\$ 6,723	\$ 328	\$ 18,992	\$ 72,611	\$ 2,946	\$ 26,179	\$ 148,611	\$ 28,006	\$ 12,131
LIABILITIES:										
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ -
Accounts Payable	80	-	-	309	3,713	-	-	12,088	-	-
Other Liabilities	-	-	-	-	-	-	-	6,758	-	-
Accrued Liabilities	-	-	-	-	1,348	-	-	-	-	287
TOTAL LIABILITIES	80	-	-	309	5,061	-	-	68,846	-	287
FUND BALANCES:										
Unreserved	1,101	6,723	328	18,683	67,550	2,946	26,179	79,765	28,006	11,844
TOTAL FUND BALANCES	1,101	6,723	328	18,683	67,550	2,946	26,179	79,765	28,006	11,844
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,181	\$ 6,723	\$ 328	\$ 18,992	\$ 72,611	\$ 2,946	\$ 26,179	\$ 148,611	\$ 28,006	\$ 12,131

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2005

	Special Revenue Funds									
	Solid Waste/Recycling	Coastal Management	Crystal Lake Rec Management	Remonument. Survey Grant	Animal Control	Building Department	Register of Deeds Automation	911 Emergency Service	Dispatcher Training Grant	Local Corrections Officer Training
ASSETS:										
Cash & Investments - Unrestricted	\$ 44,516	\$ 5,974	\$ 635	\$ 24,992	\$ 22,458	\$ 100,239	\$ 10,690	\$ 24,393	\$ 7,889	\$ -
Receivables:										
Accounts	-	-	-	-	80	-	-	-	-	-
Prepaid Expenses	-	-	-	-	230	1,385	-	8,082	-	-
Due from Governmental Units	-	-	-	-	-	-	350	52,225	-	-
TOTAL ASSETS	<u>\$ 44,516</u>	<u>\$ 5,974</u>	<u>\$ 635</u>	<u>\$ 24,992</u>	<u>\$ 22,768</u>	<u>\$ 101,624</u>	<u>\$ 11,040</u>	<u>\$ 84,700</u>	<u>\$ 7,889</u>	<u>\$ -</u>
LIABILITIES:										
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	295	-	-	-	775	1,950	-	2,726	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-
Accrued Liabilities	275	-	-	-	1,091	3,170	-	5,121	-	-
TOTAL LIABILITIES	<u>570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,866</u>	<u>5,120</u>	<u>-</u>	<u>7,847</u>	<u>-</u>	<u>-</u>
FUND BALANCES:										
Unreserved	43,946	5,974	635	24,992	20,902	96,504	11,040	76,853	7,889	-
TOTAL FUND BALANCES	<u>43,946</u>	<u>5,974</u>	<u>635</u>	<u>24,992</u>	<u>20,902</u>	<u>96,504</u>	<u>11,040</u>	<u>76,853</u>	<u>7,889</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 44,516</u>	<u>\$ 5,974</u>	<u>\$ 635</u>	<u>\$ 24,992</u>	<u>\$ 22,768</u>	<u>\$ 101,624</u>	<u>\$ 11,040</u>	<u>\$ 84,700</u>	<u>\$ 7,889</u>	<u>\$ -</u>

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2005

	Special Revenue Funds									
	Sheriff Forfeiture	Benzie Criminal Justice Training	Law Library	Commission on Aging	Lighthouse	Child Care	Soldiers Relief	Veterans Trust	CDBG Housing Grant	Building Authority
ASSETS:										
Cash & Investments - Unrestricted	\$ 1,810	\$ -	\$ 8,296	\$ 3,212	\$ 11,032	\$ 13,837	\$ 47,024	\$ 1,328	\$ 10,397	\$ 367
Receivables:										
Accounts	-	3,145	-	-	-	-	20	-	-	-
Prepaid Expenses	-	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	1,888	119,402	8,651	-	-	13,128	-
TOTAL ASSETS	<u>\$ 1,810</u>	<u>\$ 3,145</u>	<u>\$ 8,296</u>	<u>\$ 5,100</u>	<u>\$ 130,434</u>	<u>\$ 22,488</u>	<u>\$ 47,044</u>	<u>\$ 1,328</u>	<u>\$ 23,525</u>	<u>\$ 367</u>
LIABILITIES:										
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	1,133	-	-	4,480	1,226	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>1,133</u>	<u>-</u>	<u>-</u>	<u>4,480</u>	<u>1,226</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:										
Unreserved	1,810	3,145	7,163	5,100	130,434	18,008	45,818	1,328	23,525	367
TOTAL FUND BALANCES	<u>1,810</u>	<u>3,145</u>	<u>7,163</u>	<u>5,100</u>	<u>130,434</u>	<u>18,008</u>	<u>45,818</u>	<u>1,328</u>	<u>23,525</u>	<u>367</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,810</u>	<u>\$ 3,145</u>	<u>\$ 8,296</u>	<u>\$ 5,100</u>	<u>\$ 130,434</u>	<u>\$ 22,488</u>	<u>\$ 47,044</u>	<u>\$ 1,328</u>	<u>\$ 23,525</u>	<u>\$ 367</u>

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2005

	Debt Service Funds			Capital Project Funds			
	Government Center Addition	Ambulance Debt/Millage	Jail Millage	Capital Improvements	Railroad Point	Equipment Replacement	Totals
ASSETS:							
Cash & Investments - Unrestricted	\$ 21,384	\$ 5,816	\$ 362,549	\$ 49,660	\$ 1,223	\$ 92,434	\$ 1,048,951
Receivables:							
Accounts	-	530	-	-	-	-	135,560
Prepaid Expenses	-	-	-	-	-	-	10,852
Due from Governmental Units	-	-	-	-	-	38,071	241,687
TOTAL ASSETS	<u>\$ 21,384</u>	<u>\$ 6,346</u>	<u>\$ 362,549</u>	<u>\$ 49,660</u>	<u>\$ 1,223</u>	<u>\$ 130,505</u>	<u>\$ 1,437,050</u>
LIABILITIES:							
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Accounts Payable	-	-	-	-	-	22,044	50,819
Other Liabilities	-	-	-	-	-	-	6,758
Accrued Liabilities	-	-	-	-	-	-	11,292
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,044</u>	<u>118,869</u>
FUND BALANCES:							
Unreserved	21,384	6,346	362,549	49,660	1,223	108,461	1,318,181
TOTAL FUND BALANCES	<u>21,384</u>	<u>6,346</u>	<u>362,549</u>	<u>49,660</u>	<u>1,223</u>	<u>108,461</u>	<u>1,318,181</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,384</u>	<u>\$ 6,346</u>	<u>\$ 362,549</u>	<u>\$ 49,660</u>	<u>\$ 1,223</u>	<u>\$ 130,505</u>	<u>\$ 1,437,050</u>

County of Benzie, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2005

	Special Revenue Funds									
	Sheriff's K-9	Benzie Co. Sheriff Reserve's	Benzie Co. Dive Team	School Resource Officer	Benzie Co. Ambulance	Benzie Co. DARE	Benzie Kids	Advanced Life Support (ALS)	Friend of the Court	FOC Access/ Visitation Grant
REVENUES:										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-	-	-
State Sources	-	-	-	-	-	-	-	-	-	-
Local Sources	-	-	-	-	-	-	17,182	-	-	-
Charges for Services	-	800	-	-	268,288	-	-	212,543	2,030	21,126
Refunds & Reimbursements	-	-	-	34	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-	473	-
Contributions	-	-	79	-	-	1,050	-	-	-	-
Other Revenue	2,696	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	2,696	800	79	34	268,288	1,050	17,182	212,543	2,503	21,126
EXPENDITURES:										
Judicial	-	-	-	-	-	-	-	-	-	9,282
General Government	-	-	-	-	-	-	-	-	-	-
Public Safety	1,676	2,009	692	43,272	-	158	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	281,059	-	13,380	534,171	-	-
Recreation & Cultural	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,676	2,009	692	43,272	281,059	158	13,380	534,171	-	9,282
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,020	(1,209)	(613)	(43,238)	(12,771)	892	3,802	(321,628)	2,503	11,844
OTHER FINANCING SOURCES (USES):										
Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-	-	401,393	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-	(4,800)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,020	(1,209)	(613)	(43,238)	(12,771)	892	3,802	79,765	(2,297)	11,844
FUND BALANCES, OCTOBER 1	81	7,932	941	61,921	80,321	2,054	22,377	-	30,303	-
FUND BALANCES, SEPTEMBER 30	\$ 1,101	\$ 6,723	\$ 328	\$ 18,683	\$ 67,550	\$ 2,946	\$ 26,179	\$ 79,765	\$ 28,006	\$ 11,844

County of Benzie, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2005

	Special Revenue Funds									
	Solid Waste/Recycling	Coastal Management	Crystal Lake Rec Management	Remonument. Survey Grant	Animal Control	Building Department	Register of Deeds Automation	911 Emergency Service	Dispatcher Training Grant	Local Correction Officer Training
REVENUES:										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-	-	-
State Sources	-	-	-	17,303	-	-	-	-	4,275	-
Local Sources	-	-	-	-	-	-	-	-	-	-
Charges for Services	116,276	-	-	-	88,963	364,880	42,455	433,310	-	-
Refunds & Reimbursements	-	-	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	2,680	-	-	-	-	-
TOTAL REVENUES	116,276	-	-	17,303	91,643	364,880	42,455	433,310	4,275	-
EXPENDITURES:										
Judicial	-	-	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	40,640	-	-	-
Public Safety	-	-	-	-	97,499	-	-	489,348	2,182	-
Public Works	134,651	-	-	24,829	-	318,774	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-	-	-
Recreation & Cultural	-	1,166	50	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	134,651	1,166	50	24,829	97,499	318,774	40,640	489,348	2,182	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(18,375)	(1,166)	(50)	(7,526)	(5,856)	46,106	1,815	(56,038)	2,093	-
OTHER FINANCING SOURCES (USES):										
Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	7,500	-	-	-	47,178	-	-
Operating Transfers Out	-	-	-	-	20,000	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(18,375)	(1,166)	(50)	(26)	14,144	46,106	1,815	(8,860)	2,093	-
FUND BALANCES, OCTOBER 1	62,321	7,140	685	25,018	6,758	50,398	9,225	85,713	5,796	-
FUND BALANCES, SEPTEMBER 30	\$ 43,946	\$ 5,974	\$ 635	\$ 24,992	\$ 20,902	\$ 96,504	\$ 11,040	\$ 76,853	\$ 7,889	\$ -

County of Benzie, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2005

	Special Revenue Funds									
	Sheriff Forfeiture	Benzie Criminal Justice Training	Law Library	Commission on Aging	Lighthouse	Child Care	Soldiers Relief	Veterans Trust	CDBG Housing Grant	Building Authority
REVENUES:										
Taxes	\$ -	\$ -	\$ -	\$ 507,398	\$ -	\$ -	\$ 20,409	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-	103,656	-
State Sources	-	5,046	-	-	285,838	65,198	-	366	-	-
Local Sources	-	-	-	-	450	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	9,053	-
Refunds & Reimbursements	-	-	-	-	-	5,204	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Other Revenue	2,572	-	5,000	196	-	34	-	-	-	-
TOTAL REVENUES	2,572	5,046	5,000	507,594	286,288	70,436	20,409	366	112,709	-
EXPENDITURES:										
Judicial	-	-	15,190	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-	-
Public Safety	1,184	5,226	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	507,405	-	128,883	52,468	-	120,529	-
Recreation & Cultural	-	-	-	-	192,197	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,184	5,226	15,190	507,405	192,197	128,883	52,468	-	120,529	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,388	(180)	(10,190)	189	94,091	(58,447)	(32,059)	366	(7,820)	-
OTHER FINANCING SOURCES (USES):										
Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	10,000	-	-	70,000	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,388	(180)	(190)	189	94,091	11,553	(32,059)	366	(7,820)	-
FUND BALANCES, OCTOBER 1	422	3,325	7,353	4,911	36,343	6,455	77,877	962	31,345	367
FUND BALANCES, SEPTEMBER 30	\$ 1,810	\$ 3,145	\$ 7,163	\$ 5,100	\$ 130,434	\$ 18,008	\$ 45,818	\$ 1,328	\$ 23,525	\$ 367

County of Benzie, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2005

	Debt Service Funds			Capital Project Funds			
	Government Center Addition	Ambulance Debt/Millage	Jail Bond Payments	Capital Replacement	Railroad Point	Equipment Replacement	Totals
REVENUES:							
Taxes	\$ -	\$ 522,719	\$ -	\$ -	\$ -	\$ -	\$ 1,050,526
Federal Sources	-	-	-	-	-	140,630	244,286
State Sources	-	-	-	-	-	1,348	379,374
Local Sources	-	-	-	-	-	10,000	27,632
Charges for Services	-	-	-	-	-	-	1,559,724
Refunds & Reimbursements	-	-	-	-	-	-	5,238
Interest & Rentals	119,914	1,589	1,868	-	-	-	123,844
Contributions	-	-	-	-	-	-	1,129
Other Revenue	-	-	-	-	-	7,500	20,678
TOTAL REVENUES	119,914	524,308	1,868	-	-	159,478	3,412,431
EXPENDITURES:							
Judicial	-	-	-	-	-	-	24,472
General Government	-	-	-	-	-	-	40,640
Public Safety	-	-	-	-	-	51,000	694,246
Public Works	-	-	-	-	-	-	478,254
Health & Welfare	-	-	-	-	-	-	1,637,895
Recreation & Cultural	-	-	-	-	-	-	193,413
Capital Outlay	-	-	-	560,340	-	120,462	680,802
Debt Service	119,705	94,766	322,858	-	-	-	537,329
Other	-	21,803	-	-	-	654	22,457
TOTAL EXPENDITURES	119,705	116,569	322,858	560,340	-	172,116	4,309,508
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	209	407,739	(320,990)	(560,340)	-	(12,638)	(897,077)
OTHER FINANCING SOURCES (USES):							
Bond Proceeds	-	-	-	610,000	-	-	610,000
Operating Transfers In	-	-	372,858	-	-	-	908,929
Operating Transfers Out	-	(401,393)	(134,880)	-	-	-	(521,073)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	209	6,346	(83,012)	49,660	-	(12,638)	100,779
FUND BALANCES, OCTOBER 1	21,175	-	445,561	-	1,223	121,099	1,217,402
FUND BALANCES, SEPTEMBER 30	\$ 21,384	\$ 6,346	\$ 362,549	\$ 49,660	\$ 1,223	\$ 108,461	\$ 1,318,181

County of Benzie, Michigan

Combining Statement of Net Assets Nonmajor Enterprise Funds September 30, 2005

	Tax Admin.	Tax Foreclosure	Totals
ASSETS:			
Cash & Investments -Unrestricted	\$ 33,424	\$ 70,370	\$ 103,794
TOTAL ASSETS	<u>\$ 33,424</u>	<u>\$ 70,370</u>	<u>\$ 103,794</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ -	\$ 120	\$ 120
TOTAL LIABILITIES	<u>-</u>	<u>120</u>	<u>120</u>
NET ASSETS:			
Unrestricted	<u>33,424</u>	<u>70,250</u>	<u>103,674</u>
TOTAL NET ASSETS	<u>33,424</u>	<u>70,250</u>	<u>103,674</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,424</u>	<u>\$ 70,370</u>	<u>\$ 103,794</u>

County of Benzie, Michigan**Combining Statement of Revenues, Expenses and
Changes in Net Assets - Nonmajor Enterprise Funds
Year Ended September 30, 2005**

	Tax Admin.	Tax Foreclosure	Totals
OPERATING REVENUES:			
Charges for Services	\$ -	\$ 17,059	\$ 17,059
TOTAL OPERATING REVENUES	-	17,059	17,059
OPERATING EXPENSES:			
Other Expenses	1,600	8,941	10,541
Total Operating Expenses	1,600	8,941	10,541
OPERATING INCOME (LOSS)	(1,600)	8,118	6,518
NON-OPERATING REVENUES (EXPENSES):			
Operating Transfers In	12,864	-	12,864
Total Non-operating Expenses	12,864	-	12,864
CHANGE IN NET ASSETS	11,264	8,118	19,382
NET ASSETS, OCTOBER 1	22,160	62,132	84,292
NET ASSETS, SEPTEMBER 30	<u>\$ 33,424</u>	<u>\$ 70,250</u>	<u>\$ 103,674</u>

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2005**

	Tax Admin	Tax Foreclosure	Totals
Cash Flows From Operating Activities:			
Cash Received From Customers or Users	\$ -	\$ 17,059	\$ 17,059
Cash Payments to Suppliers	(1,600)	(8,821)	(10,421)
Net Cash Provided (Used) by Operating Activities	<u>(1,600)</u>	<u>8,238</u>	<u>6,638</u>
Cash Flows From Noncapital Financing Activities:			
Operating Transfers In	<u>12,864</u>	<u>-</u>	<u>12,864</u>
Cash Provided (Used) by Noncapital Financing Activities	<u>12,864</u>	<u>-</u>	<u>12,864</u>
Cash Flows from Capital and Related Financing Activities:			
Equity Transfer	<u>-</u>	<u>62,132</u>	<u>62,132</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>62,132</u>	<u>62,132</u>
Net Increase (Decrease) in Cash	11,264	70,370	81,634
Cash and Cash Equivalents at Beginning of Year	<u>22,160</u>	<u>-</u>	<u>22,160</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 33,424</u></u>	<u><u>\$ 70,370</u></u>	<u><u>\$ 103,794</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (1,600)	\$ 8,118	\$ 6,518
Increase (Decrease) in Liabilities:			
Accounts Payable	<u>-</u>	<u>120</u>	<u>120</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (1,600)</u></u>	<u><u>\$ 8,238</u></u>	<u><u>\$ 6,638</u></u>

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
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OFFICES IN
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Chairman and Members of
The Board of Commissioners
County of Benzie, Michigan
P.O. Box 398
Beulah, Michigan 49617

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan, as of and for the year ended September 30, 2005, which collectively comprise the County of Benzie Michigan's basic financial statements and have issued our report thereon, dated January 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Benzie, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the County of Benzie, Michigan in a separate letter dated January 20, 2006.

Honorable Chairman and Members
of the Board of Commissioners
County of Benzie, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Benzie, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which we described in the accompanying schedule of findings and questioned costs as item 2005-1. We did note certain immaterial instances of noncompliance, which we have reported to the management of the County of Benzie, Michigan in a separate letter dated January 20, 2006.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

January 20, 2006



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board
County of Benzie, Michigan
P.O. Box 398
Beulah, MI 49617

Compliance

We have audited the compliance of the County of Benzie, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

Honorable Chairman and Members
of the Board of Commissioners
County of Benzie, Michigan

In our opinion, the County of Benzie, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of the County of Benzie, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Benzie, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

January 20, 2006

County of Benzie, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through Programs From:			
Michigan Department of Community Health			
Women with Infant Children	10.557	XX4W1006	\$ 105,283
U.S. Department of Health & Human Services			
Pass-Through Programs From:			
Department of Human Services			
Title IV-D Cooperative Reimbursement-Prosecutor	93.563	CS/PA-03-10002	40,541
Friend of the Court-Incentive	93.560	-	29,234
Total passed through MDHS			69,775
Pass-Through Programs From:			
Michigan Department of Community Health			
Immunization - IAP	93.268	H23 CCH522556	12,463
Immunization - Vaccine Handling	93.268	H23 CCH522556	767
CDI - Smoking Prevention	93.283	U58 CCU522826	22,385
Bioterrorism Focus A	93.283	CCU517018	131,198
Bioterrorism Focus B	93.283	CCU517018	5,736
Bioterrorism Focus E	93.283	CCU517018	35,499
Bioterrorism Focus F	93.283	CCU517018	6,197
Bioterrorism Focus G	93.283	CCU517018	10,389
Local MCH F	93.994	B1MIMCHS	16,044
Family Planning	93.994	B1MIMCHS	5,029
Case Mgmt. Services	93.994	B1MIMCHS	7,856
Family Planning	93.217	05H000173	24,170
Case Mgmt. Services	93.778	5XX05MI504	4,832
Immunization	93.268	-	113,917
Total passed through MDCH			396,482
Total Department of Health and Human Services			466,257
U.S. Department of Housing and Urban Development			
Pass-Through Programs From:			
Northwest Michigan Human Services Agency			
Michigan Community Development Block Grant	14.228	MSC-2003-0771-HOA	103,656
U.S. Department of Homeland Security			
Pass-Through Programs From:			
Michigan Department of State Police			
Emergency Management Performance Grant	97.042	42005K	5,351
2003 Solution Area Planner	97.004	101904B	14,950
2003 Part II Training Grant	97.004	Q1BC	38,924
2003 SHSGP Exercise Grant	97.004	102904	2,648
2004 State Homeland Security Grant Program	97.004	119051	79,193
2004 Law Enforcement Terrorism Prevention Program	97.004	11905H	4,915
Total U.S. Department of Homeland Security			145,981
U.S. Department of Transportation			
Pass-Through Programs From:			
Michigan Department of Transportation (Note D)			
Pioneer Road from North of Cinder Road*	20.205	STP 0510(007)	200,000
Bentley Road at Little Betsie River	20.205	STP 0410(011)	52,551
Total U.S. Department of Transportation			252,551
Total Expenditures of Federal Awards			\$ 1,073,728

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Benzie, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - COGNIZANT AGENCY

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Health and Human Services which provided the greatest amount of indirect federal funding to the County during fiscal year 2005.

NOTE C - NORTHWEST MICHIGAN HUMAN SERVICES AGENCY ADMINISTRATION

The Michigan Community Development Block Grant CFDA #14.228 is administered by the Northwest Michigan Human Services Agency.

NOTE D - FEDERAL GRANTS – ROAD COMMISSION

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2005, the Federal aid received and expended by the Road Commission was \$200,000 for contracted projects. Contracted projects are defined as projects performed by private contractors that are paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commission, as they are included in MDOT's single audit.

NOTE E - FEDERAL REVENUES

Total Federal Expenditures	\$ 1,073,728
Federal Expenditures of District Health Department	(501,765)
Federal Expenditures of Road Commission	(252,551)
Federal Revenue Classified as State	<u>(11,397)</u>
Federal Revenues per Financial Statement	<u>\$ 308,015</u>

Section A - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

CFDA NUMBERS

Name of Federal Program or Cluster

93.268	Immunization
93.283	Bioterrorism
97.004	Homeland Security Grants
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

EXCESS EXPENDITURES OVER APPROPRIATIONS

Finding 2005-1

Condition/Criteria: Public Act 621 of 1978, Section 18, (1) as amended, provides that a county shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the General Fund and Special Revenue Fund's have been shown on a functional basis. The approved budgets of the County for these funds were adopted on an activity and/or program level. During the year ended September 30, 2005, the County incurred functional expenditures which were in excess of the amounts appropriated as shown within Note 15 in the basic financial statements.

Effect: The County is not in compliance with State law.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The County should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management's Response – Corrective Action Plan: The budgets of the General Fund and Jail Millage Funds will be more closely monitored and budget amendments will be made accordingly.

C. FINDINGS - FEDERAL AWARDS AND QUESTIONED COSTS

NONE.

NONE.

Additional Information

COUNTY OF BENZIE, MICHIGAN

ADDITIONAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Honorable Chairman & Members
of the Board of Commissioners
County of Benzie, Michigan
P.O. Box 398
Beulah, MI 49617

Our report on our audit of the basic financial statements of the County of Benzie, Michigan, as of and for the year ended September 30, 2005, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the Municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

Anderson, Tackman & Company, PLC
Certified Public Accountants

January 20, 2006

NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURE REQUIREMENTS:

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of September 30, 2005, the County has the following debt issues which apply to SEC Rule 15c2-12:

1. \$2,085,000 1997 Building Authority Refunding Bonds.
2. \$1,265,000 1998 Building Authority Bonds, Series 1998.

NOTE 2 - TABLES:

The following tables are included in the debt issues and are required to be updated annually to comply with the Municipal Securities disclosure requirements of the SEC Rule 15c2-12:

A. State Equalized Valuation:

	<u>50% of True Value</u>
2005 -	\$ 1,487,297,079
2004 -	1,301,441,654
2003 -	1,204,165,487
2002 -	1,113,871,689
2001 -	898,302,049
2000 -	808,095,828
1999 -	732,475,429
1998 -	659,406,807
1997 -	587,772,167
1996 -	530,052,367

Source: Benzie County

B. Taxable Valuation:

2005 -	\$ 871,219,780
2004 -	805,938,284
2003 -	743,112,961
2002 -	691,905,133
2001 -	639,478,120
2000 -	591,213,030

NOTE 2 - TABLES: (Continued)

<u>2005 Breakdown by Use</u>	
Residential	88.72%
Commercial	6.15%
Industrial	.69%
Personal Property	2.86%
Agricultural	1.55%
Timber-Cutover	<u>.03%</u>
TOTAL	100.00%
<u>2005 Breakdown by Class</u>	
Real	97.14%
Personal	<u>2.86%</u>
TOTAL	100.00%

Source: Benzie County

C. County Tax Rates & Levies:

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
County Operating	3.6629	3.7565	3.8473	3.9311	3.9975
County Operating*	2.2768	2.3588	1.7496	1.7100	1.6239
Voted County (Jail)	<u>1.2956</u>	<u>1.4236</u>	<u>2.0000</u>	<u>2.0000</u>	<u>2.0000</u>
TOTAL COUNTY	7.2353	7.5389	7.5969	7.6411	7.6214
Traverse Bay Area I/S/D	<u>2.9589</u>	<u>2.9732</u>	<u>2.9929</u>	<u>3.0149</u>	<u>3.0302</u>
TOTAL ALL JURISDICITON	10.1942	10.5121	10.5898	10.6560	10.6516

*Extra Voted.

The County's authorized operating tax rate is 5.29 mills.

Source: Benzie County

NOTE 2 - TABLES: (Continued)

D. Tax Collection Record:

County of Benzie pays from a 100% Tax Payment Fund delinquent real property taxes of all municipalities in the County, including the County. Delinquent personal property taxes are negligible. The County's fiscal year begins October 1. County taxes are due December 1 and become delinquent the following March 1.

Year	Tax Levy	Amount*	%	%
2005	\$ 27,799,725	\$ 26,107,645*	93.91%	-%
2004	25,534,307	23,596,461	92.41	100
2003	22,530,566	20,849,584	92.54	100
2002	21,210,530	19,290,703	90.95	100
2001	20,683,870	18,832,814	91.05	100
2000	18,062,029	16,339,252	90.46	100
1999	16,950,575	15,190,124	89.85	100
1998	15,732,577	13,707,689	87.13	100
1997	15,213,212	13,236,943	87.00	100
1996	14,865,524	12,818,676	86.23	100

**Reflects only real property delinquencies and assumes 100% collection of personal property taxes.

*Not available until after settlement on March 1st.

Source: Benzie County

E. General Fund Revenues and Expenditures:

	2005	2004	2003	2002
Revenues & Transfers In	\$ 5,012,830	\$ 4,893,632	\$ 4,388,720	\$ 5,251,648
Expenditures & Transfers Out	<u>5,043,577</u>	<u>4,574,329</u>	<u>3,557,026</u>	<u>5,186,923</u>
Revenues Over Expenditures	(30,747)	319,303	831,694	64,725
Beginning Fund Balance	1,420,733	1,101,430	386,067	321,342
Residual Equity Transfer	-	-	(116,331)	-
ENDING FUND BALANCE	<u>\$ 1,389,986</u>	<u>\$ 1,420,733</u>	<u>\$ 1,101,430</u>	<u>\$ 386,067</u>

Source: Benzie County

NOTE 2 - TABLES: (Continued)

F. Debt Statement:

	<u>Gross</u>	<u>Net</u>
Direct Debt of County:		
Building Authority	\$ 2,180,000	\$ 2,180,000
Capital Improvement	<u>520,000</u>	<u>520,000</u>
	<u>\$ 2,700,000</u>	<u>\$ 2,700,000</u>

In addition to the above, the County issues self-supporting Limited Tax Delinquent Fund Tax Notes each year which mature in 1 to 3 years.

Per Capita County Net Direct Debt	\$ 154.59
Percent County Net Direct Debt to 2005 TV	0.31%

OVERLAPPING DEBT OF COUNTY:

School Districts	\$ 19,023,645
Cities	1,620,000
Townships	-
Villages	1,277,000
Intermediate School Districts	<u>-</u>
Net Overlapping Debt	<u>\$ 21,920,645</u>
Net County and Overlapping Debt	<u>\$ 24,620,645</u>
Per Capita County Net Direct and Overlapping Debt	\$ 1,409.63
Percent Net Direct and Overlapping Debt to 2004 TV	2.83%

Source: County of Benzie and Municipal Advisory Council of Michigan

Note: Estimated population for 2005

Source: U.S. Census Bureau



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REPORT TO MANAGEMENT

Honorable Chairman and Members
of the Board of Commissioners
County of Benzie, Michigan
P.O. Box 398
Beulah, MI 49617

We have audited the basic financial statements of the County of Benzie, Michigan for the period ended September 30, 2005, and have issued our reports thereon dated January 20, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the County of Benzie, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Benzie, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Benzie, Michigan, Michigan's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on County of Benzie, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Benzie, Michigan's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Benzie, Michigan are described in Note 1 to the financial statements. We noted no transactions entered into by the County of Benzie, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Asset lives and allowances for bad debts are examples of accounting estimates.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by County of Benzie, Michigan's that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Benzie, Michigan's financial statements our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Benzie, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

Improvements Regarding Use of Chart of Accounts – Prior Year

There were items in capital outlay accounts, which were relatively small in value. Typically, the capital outlay account is used for fixed asset purchases that are capitalized, items that are not, should be expensed to an account named small tools and equipment.

ALS and BLS Allocation

Northflight, which is contracted by Benzie County for their ambulance services, has not separated ALS and BLS accounts receivable until January of 2006. When calculating the allowance for doubtful accounts, an estimate had to be used separate to separate the ALS and BLS portions. This will not be fully corrected until the 2006-2007 fiscal year.

Ambulance Serial Number

In May of 2005, the county purchased four ambulances and ordered another ambulance for Thompsonville Township. All five ambulances were placed on the same order. While reviewing new asset additions, it was brought to our attention that Thompsonville's title had not been properly transferred to them and the County did not receive a title for one of their ambulances.

We recommend that the County transfers Thompsonville's title over to them and contact the vendor where the ambulances were purchased and request the proper title.

Federal Grants

During the year under audit several Homeland Security Grants were accounted for in the Equipment Replacement fund. Only one of the grants was for equipment and the rest were for salaries, training, and supplies. We recommend that in the future, operating grants be accounted for in separate Special Revenue funds.

Summer Tax Levy

With the change in the funding of Revenue Sharing, various issues have surfaced. The State allowed Counties to place an amount equal to 1/3 of their 2004 levy for three years from the 2004, 2005, and 2006 levies in a Reserve fund each January. To replace this 1/3 taken from the operating levy the County is allowed to levy a summer tax beginning in July of 2005. 1/3 of the 2005 levy, 2/3 of the 2006 levy and 3/3 of the 2007 levy would be summer collections. This process of funding would allow the Counties to still fund Revenue Sharing and still receive 100% of their operating levies each year. One area of concern is that the summer collections are not completely received in cash at year end. Furthermore, what isn't collected does not become delinquent until March 1 of each year. This creates a cash flow shortage which can be alleviated by borrowing from the Revenue Sharing Reserve Fund. It also creates a revenue recognition issue in that the revenue is not collected within 60 days of year end. It is collected when tax settlement occurs in March. In summary, because the legislature intended that the summer levy would make the Counties whole, we recommend that tax revenue be recorded to account for the uncollected summer levy at year end.

Conclusion

This information is intended solely for the information and use of the Board of Commissioners, management, federal and state awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



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